

MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THEIR OFFICE AT 677 QUEEN STREET
ON THURSDAY, JANUARY 26, 2006,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Thursday, January 26, 2006 at 9:00 a.m.

The meeting was called to order by Chairman Charles Sted and, on roll call, those present and absent were as follows:

CALL TO
ORDER/
ROLL CALL

PRESENT: Director Francis L. Jung
 Designee Rick Manayan
 Designee Henry Oliva
 Director Charles Sted
 Director Linda Smith
 Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Charles King

Staff Present: Bryan Yee, Deputy Attorney General
 Sandra Ching, Deputy Attorney General
 Pamela Dodson, Executive Assistant
 Janice Takahashi, Chief Planner
 Mavis Masaki, Legislative Coordinator
 Jeanne Hamilton, Planner
 Darren Ueki, Finance Manager
 Tom Otake, Acting Development Section Chief
 Stan Fujimoto, Project Manager
 Chris Sadayasu, Project Coordinator
 Leonell Domingo, Project Coordinator
 Edmund Morimoto, Construction Management Section Chief
 Rick Speer, Project Engineer
 Lili Funakoshi, Hearings Officer
 Dexter Ching, Section 8 Branch Chief
 Shirley Higa, Board Secretary

Others: Michael Flores, HUD
 Bill Sabulboro, HUD
 Clifford Isara, Sonoda & Isara, LLP
 Bill Woods-Bateman
 Sisan Suda, ITOR
 Julia Estrella, ITOR

The Chairman declared a quorum present.

QUORUM

Director Thompson moved, seconded by Director Jung

APPROVAL
OF MINUTES -
REGULAR
MEETING -
12/15/2005

That the minutes of the Regular Meeting held on
December 15, 2005 be approved as circulated.

The motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation Board of Directors accept the audited financial statement for the fiscal year ended June 30, 2005.

Director Thompson moved, seconded by Director Smith

That staff's recommendation be approved.

Contracts Administration Section Chief Michael Hee explained that the Kekuilani Gardens is a rental project developed by HCDCH with a U.S. Department of Agriculture Rural Development mortgage and a Rental Housing Trust Fund loan. The tenants of the 56-units project receive a rental subsidy from the U.S. Department of Agriculture. The auditors, Sonoda & Isara, LLP issued the required financial report for the project and there were no significant findings.

Audit Chair Travis O. Thompson reported that the audit was reviewed by the Audit Subcommittee. The project's operations received a clean opinion and no significant findings were identified. He supports staff's recommendation to accept the audit.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Board of Directors accept the audited financial statements of the Banyan Street Manor Project for the fiscal year ending June 30, 2005.

Director Thompson moved, seconded by Designee Oliva

That staff's recommendation be approved.

Contracts Administration Section Chief Michael Hee explained that the Banyan Street Manor is a 55-unit HUD insured multifamily project that receives Section 8 Housing Assistant Payments from HUD that funds all operating costs.

The auditors, Endo & Company, issued the required financial report that included several significant findings. Many of these findings were a result of the transition from the previous managing agent who opted not to exercise its option to renew its contract. An emergency procurement contract had to be executed with Urban Real Estate who has experienced much delay in its operations due to the difficulty in the transition.

Audit Subcommittee Chair Travis O. Thompson reported that the Audit Subcommittee met with the auditors previously and discussed each of the findings in detail. In all cases, the current managing agent was aware of the findings and was in the process of correcting the problems. Director Thompson recommended that the Board revisit the discussion of the project about six months from now to review the project's progress.

There being no further discussion, the motion was unanimously carried.

ACCEPT
THE
AUDITED
FINANCIAL
STATE-
MENT OF
KEKUILANI
GARDENS
FOR THE
FISCAL
YEAR
ENDED
6/30/2005

ACCEPT
THE
AUDITED
FINANCIAL
STATEMENT
OF BANYAN
STREET
MANOR
FOR THE
FISCAL
YEAR
ENDED
6/30/2005

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the preliminary draft of the Public Housing Agency FY 2006 5-Year and Annual Plans for public hearing.

Designee Oliva moved, seconded by Director Jung

That staff's recommendation be approved.

Planner Al Nitta explained that the Public Housing Agency (PHA) 5-Year and Annual Plans are a requirement of the Quality Housing and Work Responsibility Act of 1998. All public housing agencies administering federal public housing and Section 8 Housing Choice Voucher assistance programs must submit their plans to HUD. HCDCH must submit the plans by April 17, 2006.

The 5-Year Plan states the mission of servicing the needs of the low-income and very low-income families for a five-year period. The PHA Annual Plan has 19 components which HCDCH will address individually.

Meetings with the Resident Advisory Board (RAB) began in September 2005. Staff is requesting that the Board approve staff to conduct public hearings to receive input on the draft plans. Two additional locations were added in order to receive as much input from the public as possible. The plans will then be finalized after the public hearings.

Mr. Nitta reviewed the changes that staff is proposing:

- Eliminated the section that referred to tax credits and the Rental Housing Trust Fund (RHTF) and leveraging funds due to the pending split of the agency thus making reference to the financing section as inappropriate;
- Inclusion of opening the Section 8 Housing Choice Voucher program to accept applications for a limited time period; and
- Removed project-based Section 8 vouchers due to lack of funds.

Mr. Nitta further reported that the agency's preferences have remain unchanged with the first priority given to the homeless and victims of domestic violence. Minimum rent remains at \$0.00. The tenants who are offered vacant units and decide not to accept, are placed at the end of the wait list. There are approximately 21,000 names on the wait list for public housing and 775 names for Section 8 as of June 30, 2005. Executive Director Stephanie Aveiro commented that the Section 8 wait list is approximately 400 due to it being purged as well as non-acceptance of any new applicants.

A member of the public audience, Bill Woods-Bateman, requested information on how many households had Section 8 vouchers but were still unable to find housing. Ms. Aveiro stated that staff would try to obtain the figures and forward it to him.

Director Thompson asked about the attendance at the public hearings held in 2005. Mr. Nitta stated that two neighbor island locations had no participants; Maui and Kona had several people attend; approximately 25 people on Oahu attended.

Two additional locations were added this year to allow the opportunity for people living in West Maui and Molokai to participate.

APPROVAL
OF PRE-
LIMINARY
DRAFT
OF THE
PUBLIC
HOUSING
AGENCY
FY 2006
5-YEAR
AND
ANNUAL
PLANS
FOR
PUBLIC
HEARING

Director Thompson suggested that more public interest should be generated to create more participation at the public hearings.

Director Smith commented that some other governmental agencies are using virtual public hearings to foster more convenient public hearings that have been successful. However whether this procedure can be applied to rules that would affect federal programs such as HUD is not known.

Director Thompson further suggested that staff explore whether or not HUD would allow such a process for the public hearings as this would be cost effective as well.

Ms. Aveiro stated that in addition to the public hearings, the RAB is encouraged to share the information received at their meetings with staff, resident association meetings and newsletters that each tenant receives are other methods that inform the residents of the public hearings. The problem that needs to be addressed is how to stimulate interest to participate.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That Ms. Arde L. Long-Yamashita be appointed to the Kauai A Eviction Board for a Two Year Term Expiring on January 31, 2008.

Director Thompson moved, seconded by Director Jung

That staff's recommendation be approved.

The motion was unanimously carried.

APPOINT-
MENT OF
MS. ARDE
L. LONG-
YAMASHITA
TO THE
KAUAI
EVICTION
BOARD
AND
MR.
DARREN
M. GIONSON
TO THE OAHU
EVICTION
BOARD
FOR A
TWO-YEAR
TERM
EXPIRING
ON
1/31/2008.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors support the Action Plan for the National Governor's Association Center for Best Practices Strategies for Coordinating Housing and Economic Development Policy Academy.

Director Thompson moved, seconded by Designee Manayan

That staff's recommendation be approved.

Executive Director Stephanie Aveiro reported that periodically in her monthly report to the Board, she has mentioned the National Governors Association (NGA) Technical Assistance Grant that was awarded regarding infrastructure and economic development strategies. The Hawaii Policy Academy team has been meeting since May 2005 and has developed an action plan that staff is asking for the Board's support.

DISCUS-
SION AND
POSSIBLE
ACTION
ON HAWAII'S
PARTICI-
PATION
IN THE
NATIONAL
GOVERNOR'S
ASSOCIA-
TION
CENTER
FOR BEST
PRACTICES
POLICY
ACADEMY
ON COORDI-

Planner Jeanne Hamilton explained that due to the shortage in for sale as well as rental housing in Hawaii, Governor Linda Lingle submitted an application prepared by HCDCH to the NGA Center for Best Practices Policy Academy on Strategies for Coordinating Housing and Economic Development Policies in March 2005. The application identified the lack of major off-site infrastructure as the principal barrier to increased housing production in Hawaii. Hawaii was one of six states selected to participate in the Policy Academy.

Stephanie Aveiro and Ted Liu of DBEDT have led the Policy Academy team. Participants include members from the private sector, County Council Member Todd Apo, representatives from the Governor's Policy Office, Departments of Health, Transportation and Hawaiian Home Lands as well as the county housing directors.

An action plan has been developed that would identify pilot projects in each county, projected infrastructure costs, impact on housing and transportation, potential financing and development options and recommend how the state can participate in infrastructure financing in the various pilot projects.

Ms. Aveiro clarified that staff is asking for the Board's support of the Action Plan as it will be submitted to the NGA for further study and also parts of it will be used by Councilmember Todd Apo in his Housing Committee meetings.

Designee Oliva asked how would the pilot projects be identified.

Ms. Aveiro stated that it would be projects that the team identifies.

Director Thompson asked what specific role does HCDCH have in terms of personnel commitment, direction or oversight of the plan and value added to housing production.

Ms. Aveiro stated that the primary role would be to act as a catalyst to bring the groups together and remain focused on each pilot project and to ensure that each project is completed.

Director Smith commented that there are 12 regional plans that show all the landowners and work is currently being done to overlay all infrastructure that is needed for undeveloped land. Progress has been made with these plans where it is at a point of having counties commit to funding to develop the infrastructure. The action plan may add value to the development, but it should not be duplicative to what already is in progress. Director Smith further stated that the action plan should not cause the work on the regional plans to be sidetracked. Another concern would be the Office of Planning has a critical role in this issue as impact fees are being studied to see what affect it has on the development of affordable housing. In summary, Director Smith stated that whatever action taken by the Board should not cause a delay in the progress of the regional plans.

Ms. Aveiro stated that HCDCH has not participated in the regional plans and would like to insert the agency's projects into the plans. She further stated that with the input provided by the counties and private sectors, there would be very minimal chance that the regional plans would be given a lesser priority.

Director Smith then asked what would the action plan do to improve the process of the regional plans as it already identifies the policy makers, stakeholders that have participated in the process.

Ms. Aveiro stated that this would increase the number of participants who may not have been involved in the regional plans.

Director Thompson expressed his concern that the action plan appears to be an overlay of things that are already in process. Although NGA awarded the agency a grant, the value added by the grant may be overshadowed due to the lack of resources the agency has due to current ongoing activities within HCDCH.

Ms. Hamilton commented that infrastructure financing has been identified as a major barrier to housing development. The state has participated in infrastructure financing in the past, but the dedication of the infrastructure from the state to the county has been costly. The group is therefore studying what action can the state take to improve its role with the counties to spur housing production.

Director Jung commented that the regional plans have been extremely effective in identifying the coordination of the various agencies that need to be included for future developments.

Director Smith asked if any pilot areas have been identified and if so, then it can be ascertained whether or not the action plan can be used to complement or assist in the progress of the development. This would allow staff to identify areas that have been identified and what issues that this effort can address.

Ms. Aveiro stated that staff is requesting the Board's support of the process to bring the various agencies together to identify pilot projects. The identification of the various projects is not yet ready to take place adding that HCDCH does have projects that it will suggest to the team such as the 272 acres in Kona, East Kapolei II, and the remaining parcel at Leialii.

The Chair asked how the Board would be kept informed of the plan should it go forward and express its support for the plan. Ms. Aveiro stated that it could be included in the Office of Executive Director report.

Director Thompson asked what would be the impact if the Board does not go forward to support the plan.

Ms. Aveiro stated that the agency would not have any credibility with the development sector in the state.

Director Thompson expressed his concern that although the intentions of the goals and objectives are good, the value that will be added to future projects by HCDCH is not clear.

Director Smith asked for clarification on NGA's part of the funding for this plan. Ms. Aveiro stated that NGA paid for six participants to travel to attend two academy meetings; it does not fund any personnel costs related to the plan once the participants returned from their trip. NGA may pay for a consultant to work on the plan.

Director Smith stated that she would request that the Board defer the matter as she still had questions that needed to be answered such as if NGA would return to Hawaii to help staff with a final product.

Director Smith then moved, seconded by Director Thompson

That the Discussion and Possible Action on Hawaii's Participation in the National Governor's Association Center for Best Practices Policy Academy on Coordinating Housing and Economic Development Strategies be deferred until the next regular Board meeting.

The motion was unanimously carried.

The Chair reviewed the actions taken by the Board at its last meeting held on December 15, 2005:

- Generate capacity for transformation or work with what we have?

Adopted a policy to generate capacity for transformation.
- Generate capacity by borrowing on CAP fund or monetize assets or both?

Adopted a policy to do both.

Some discussion took place for the next policy question:

- Pilot project or larger scale transformation?

Continuing with this discussion, the Chair asked Director Smith for comments on the question as it was discussed with the consultant at an Asset Management Subcommittee meeting.

Director Smith stated that the consultant believed that it would be a tremendous task to work with all of the agency's assets at one time, and recommended that they be allowed to rank potential projects that the Board may want to consider to either monetize or leverage the assets.

The Chair added that depending on the action that the Board takes, the Subcommittee could then ask the consultant to identify a pilot project for the Board's consideration.

Director Thompson suggested that the consultant be asked to identify a minimum of three projects for the Board's consideration.

Director Smith also commented that the consultant should be given parameters in which to identify the proposed pilot projects. Such parameters may include the other policy questions such as prioritizing projects that would not cause a loss in existing units; or no displacement of existing residents.

Director Smith moved, seconded by Director Jung

That the Board adopt a recommendation that the consultant identify a minimum of three (3) projects for the Board's consideration as a pilot project and with the parameters that have been identified by the Board.

The motion was unanimously carried.

The Chair then asked for discussion on the next policy question which is "one-for-one availability of units" or no loss of inventory; or that it would be acceptable at times that there would be a decline in the number of units in order to get a longer term increase in the number of available units.

Director Thompson commented that the general objective is to have no loss in inventory; however if there is a plan, a net loss for an approved time period may be acceptable. He noted that in St. Paul, Minnesota, the public housing agency had let vacancies occur and do an entire facility at one time. He asked if HUD's representatives had any comments to offer the Board.

DISCUSSION
AND
ADOPTION
OF POLICY
GUIDANCE
REGARDING
HOUSING
AND
COMMUNITY
DEVELOP-
MENT
CORPORA-
TION OF
HAWAII
ASSET
MANAGE-
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PILOT
PROJECT OR
LARGER
SCALE
TRANS-
FORMATION

ONE-FOR-
ONE
AVAILA-
BILITY
OF UNITS

Mike Flores of HUD stated that regarding the federal public housing projects, there may be a time when it is considered to be more cost beneficial to dispose of or demolish an existing public housing project. Alternatives would then be considered in providing the housing assistance to the public. Demolishment of an existing public housing project can be done; however HUD will require a process that includes public hearings, as well as what is the agency's intent to replace the units. Mr. Flores commented on the HOPE 6 projects that demolished public housing projects not with the intent of replacing the projects with the same number of public housing units but with a mixture of housing units. This mix could include homeownership, more market rate housing and low-income housing and housing vouchers to live elsewhere. An objective of HOPE 6 projects was to deconcentrate public housing units. He mentioned Kuhio Park Terrace that was submitted by the agency for a HOPE 6 project as it has 600+ families in one area. This may not be viewed as a good social environment for the families and the communities. Mr. Flores further mentioned that in the recent rebuilding efforts due to Hurricane Katrina, it is moving in the direction of a mixed use community in order to disburse the families in various areas. He also commented that from the Federal standpoint, it has not been a requirement that there be a 1:1 replacement of housing units, but rather to identify the housing needs of the families, and how does the state plan to fill these needs.

Director Thompson asked if the vouchers have proved to be a success elsewhere when tenants need to be relocated.

Mr. Flores stated that there has been some success elsewhere; however, due to the limited supply of housing in Hawaii, it may prove to be a challenge for the tenants to find housing elsewhere.

The Chair commented that the consultant had asked for guidance from the Board and the policy questions were phrased in such a way to give the consultant the parameters that would be needed when the recommendations are made. He further stated that should the Board be silent on the 1:1 availability, the consultant's range of potential pilot projects would be vastly increased. Although it is not necessary for the Board to make its decision now, it would be very helpful to the consultant in narrowing the field of potential projects.

Executive Director Stephanie Aveiro stated that staff would prefer not having the 1:1 availability as it would extremely limit the type of replacement units. The important guideline that staff and the consultant would need to know is whether or not displacement of residents would be allowed.

The Chair commented that there may be two different versions of being displaced: not being moved out of the unit; and having an alternative housing during transition. For clarification purposes, the term displacement in the discussion would be alternative housing will be found for current residents during transition.

Director Jung then moved, seconded by Director Thompson

That the Board approve alternative housing for current residents during transition.

The Chair then asked for discussion on the next policy question:

- Fix existing worst units first or quick fixes that make more units available?

The Chair used as an example an asset that was identified to be monetized which then frees up capital that will need to be deployed. This capital may be used to make fixes to units that would need minimal repair work and be available quickly, or use the capital to make extensive repairs to the worse units first.

FIX
EXISTING
WORST
UNITS
FIRST OR
QUICK
FIXES
THAT
MAKE

Director Smith commented that she thought this would be a question that would give the consultants another parameter to use to base their recommendations on. The consultants would then know whether or not the Board would prefer having projects identified for quick fixes to maximize the number of available units quickly; or identify the worse projects that can be used as a pilot project.

MORE
UNITS
AVAILABLE

The Chair agreed that the consultant would use the question as another parameter in identifying potential pilot projects for deployment of capital.

Director Thompson commented that one of the agency's missions is to provide housing as fast as possible to the maximum number of people. He therefore supports the policy to do quick fixes to make the most units available.

Ms. Aveiro commented that in the discussions with the consultant, the pilot projects that would be identified would be those that would give the agency the most value for its existing assets due to such factors as prime location and the small number of residents to be relocated in the process.

The Chair noted that he believed that the discussions with the consultant were that there are a variety of transactions that could be structured with developers or financing institutions or other intermediary that could do a pilot project. One scenario would be two-fold as it would not only involve freeing up of the capital but also the deployment of that capital that would involve the developer and financial institution in both areas of the transaction. The identification of the pilot project then becomes important in making the entire package attractive to the investor/developer.

Ms. Aveiro commented that there would be timing issues involved if a federal project is identified as a federal project cannot be remodernized or renovated within a 20-year period. Additionally the PHA plan would need to be changed which may be a lengthy process.

Director Thompson expressed his concern that the Board proceed with its policy making and then in the future may have its policy circumvented by rules that will not allow the agency to go forward.

Director Jung stated his support to make the most units available. With regards to the worse units, it would appear that a public-private partnership or joint venture to fix these units should be done in order not to deplete all or most of the agency's capital resources.

Ms. Aveiro added that the federal projects would need more effort due to the federal rules and regulations. The state projects however show more potential as pilot projects as there has already been much interest expressed.

Director Thompson then moved, seconded by Designee Oliva

That the Board's guidance to the consultant that the pilot projects be based on quick fixes to make more units available.

The motion was unanimously carried.

The Chair then asked for discussion on the following:

- If monetize, state or federal property first?

MONETIZE
STATE OR
FEDERAL
PROPERTY
FIRST

Director Smith asked if it were possible to ask the consultant to identify any legal and/or administrative parameters that may affect the monetization of the proposed federal/state projects respectively, as this may alleviate Director Thompson 's concern that was expressed earlier.

Director Thompson agreed that one of the parameters that the consultant should use in their selection process would be if it is contrary to existing state or federal rules and regulations.

Director Smith added that if it is contrary to an existing rule or regulation, the consultant give options as to the feasibility of changing the rule.

The Chair noted that it appeared that the Board may not want to make a policy statement on this and have the consultant be mindful of whether or not the properties are state or federal. As there was no further discussion, the Chair asked for discussion on the last question:

- If pilot project, engage a consultant?

The Chair clarified that the process of identifying the pilot projects by the consultant would integrate the structure and details of the potential monetization of the pilot project. The consultant would produce a product that would attract potential financial and development partners to pursue the proposed pilot project.

ENGAGE
A CON-
SULTANT
FOR A
PILOT
PROJECT

Director Thompson asked what the timeline would be to obtain a consultant to do the work. Chief Planner Janice Takahashi estimated that it would take approximately two months to issue a Request for Proposals (RFP). After a brief discussion, the Chair noted that it was the consensus of the Board that staff proceed with the issuance of an RFP.

Ms. Aveiro asked for clarification that the scope of services for the RFP would be for the various parameters that were discussed in addition to the recommendation of proposed pilot projects for the Board's consideration. The RFP would also include services of the consultant to continue with the work after the Board makes a selection. The Chair stated that Ms. Aveiro's summary of the RFP was correct. .

RECESS

Director Thompson then moved, seconded by Director Jung

That the meeting be recessed at 10:15 a.m.

The motion was unanimously carried.

The Chair reconvened the meeting at 10:30 a.m.

Director Thompson moved, seconded by Designee Oliva

EXECUTIVE
SESSION

That the Board meet in Executive Session at 10:30 a.m. to discuss matters as set forth in the agenda under Executive Session.

The motion was unanimously carried.

* * * * *

Director Thompson moved, seconded by Designee Oliva

That the meeting reconvene in regular session at 10:50 a.m.

The motion was unanimously carried.

Finance Chair Travis Thompson stated that was no report.

FINANCE
SUB-
COMMITTEE

Director Jung reported that a meeting was held with Director Smith, Executive Director Aveiro, and Micah Kane of DHHL to give a briefing of the regional plan to Mayor Kim and his office. The 272 acres in Kona has generated much interest and Director Smith had informed the Mayor that \$12 million is in the Governor's budget request for water infrastructure. The County Council approved \$50 million in bonds of which \$25 million is being proposed for the water infrastructure in the subject area. Mr. Kane and his staff made a presentation of the regional plan and it was well received by the Mayor's Office as they stated their desire to work with the State.

NON-CEDED
LANDS
SUBCOM-
MITTEE

Part of the discussion included land in Waikoloa that was transferred by the County to a non-profit corporation. The non-profit corporation then awarded development contracts. One of the firms who received a development contract is a foreign corporation registered to do business in Hawaii. Currently there is a resolution proposing that this particular for profit corporation be the sole entity to do affordable and moderate-income housing on the Island of Hawaii. The number of units to be produced in Waikoloa is approximately 500 - 1,000 units with an average price of \$340,000. Mr. Jung expressed his concern that he believed that according to the HUD and County standards, affordable housing is defined to have an average price of \$250,000 or less. If the Davis-Bacon Act should apply as it relates to the 272 acres in Kona, affordable housing may not be possible due to the Act.

Director Jung commented that the lack of affordable housing in Kona is so severe that there are no available units for sale under \$250,000. Approximately 50 units are available between \$250,000 - \$600,000 on the market at any given time adding that as interest rates rise, less applicants qualify for the higher sales price.

Director Jung also requested that staff obtain a legal opinion from the Office of the Attorney General to determine:

- If the Davis-Bacon Act applies to land owned by the State; and
- If so, the transfer of the land to a non-profit corporation for purposes of affordable housing, would relieve the State from the requirement of the Davis-Bacon Act.

The meeting also included a proposal by himself, Director Smith and Executive Director Aveiro that a non-profit organization be formed comprised of two representatives each from the State and County and a fifth representative appointed should a tie-breaker be needed; two appointees from the Office of the Governor; one representative each appointed by the Mayor and the County Council. The goal of forming the non-profit organization would be that processing of the various permits be expedited with the involvement of the government entities.

In summary, Director Jung stated that negotiations are ongoing with the County as far as the structure of the entity and its requirements with respect to how it will expedite the permitting and zoning as well as collateral funding of the water infrastructure. The current system is not able to accommodate more housing. Should the water infrastructure be completed, 1,000 - 2,000 units can be accommodated in the 272 acres, 600 housing to be developed by DHHL, and Queen Liliuokalani Trust area would also benefit from it. Additionally current traffic congestion would be alleviated during the rush hour by diverting traffic around that area.

Executive Director Stephanie Aveiro commented that a working group with the County will also be formed to decide on the structure of the master plan of the 272 acres in Kona while the water infrastructure issue is being addressed.

In response to Director Thompson's query, Director Jung stated that it may take approximately four years for completion. A major issue is the clarification of whether or not the Davis-Bacon Act needs to be applied.

Director Smith also commented that should the Governor's budget request for the water infrastructure be approved, then July 1 the funds would be transferred to the County Board of Water Supply as they will be responsible for building the water infrastructure. Another issue that will have to be addressed is to identify the responsible party to pay for the initial costs of the road.

Director Jung reported that a meeting was held with OHA Trustees Os Stender and Boyd Mossman and Executive Director Stephanie Aveiro. OHA had expressed interest in partnering with HCDCH to provide more housing, such as rehabilitation of existing buildings. Lanakila Homes is one project that has stirred much interest, as it is currently vacant. Executive Director Stephanie Aveiro stated that the plans are to demolish the project.

OHA
SUBCOM-
MITTEE

Director Jung commented that the Island of Hawaii has a 20% requirement for affordable housing that could mean that private funding may be available to do the rehabilitation of the units without any cost to HCDCH.

Ms. Aveiro added that new development; modernization and reconstruction at an existing site were possibilities of a joint venture with OHA. HCDCH will need to provide various options that they may be interested in pursuing that their Board would approve.

Director Smith also commented that at a recent legislative hearing, OHA, Hawaiian Home Lands and HCDCH attended a hearing where it was acknowledged that DHHL's targeted population group is for those who have 50% or more Hawaiian blood quantum. DHHL has done an excellent job in providing homes for this population in the last two years. OHA is willing to assist the population group that have less than the 50% blood quantum within the entire Hawaii community. HCDCH would then focus on the remaining population of the State or those who are of non-Hawaiian ancestry.

Director Jung added that should a partnership agreement be reached with OHA, they would essentially waive the quid pro quo portion in the agreement.

Executive Director Stephanie Aveiro shared with the Board a newsletter from the Public Housing Authorities Directors Association (PHADA) that provided information on the project-based accounting. In April 2006 HCDCH will have to identify a cluster of projects for project-based accounting purposes. She encouraged Director Thompson, as Finance Subcommittee Chair, to participate in future discussions of project-based accounting.

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT

Ms. Aveiro continued that meetings have been held with HUD regarding the Improvement Plan (IP) for the next year. The IP dated January 23, 2006 was distributed to the Board for information only. It will be part of the agenda for February 2006 for discussion purposes only as it does not require the Board's approval.

IMPROVE-
MENT
PLAN

Director Smith asked if there would be an action for the Board to take in response to the correspondence from Maui Councilmember Joseph Pontanilla and his concerns about the future of Kahekili Terrace. Ms. Aveiro stated that the subject matter about a possible sale of the project would be under the jurisdiction of the Asset Management Subcommittee. However, staff could make it an item for discussion and action for the Board to act on separately.

LETTER
FROM
COUNCIL-
MEMBER
JOSEPH
PONTANILLA

The Chair noted that there is a similar situation on Oahu that the discussions have been kept within the Asset Management Subcommittee. He then asked Director Smith if she had any thoughts about Kahekili Terrace.

Director Smith stated that she knew little about the project itself except the fact that someone has expressed an interest in its purchase.

Director Thompson commented that there are 82 units of which approximately 30 units are vacant despite the agency's commitment to rent 10 units in January 2006. He further noted that beginning in June 2005, perhaps due to a change in management, the unoccupied units numbered from 1 or 2, and then began to increase to 10-30 in a short period of time.

Director Thompson further commented that in Maui there is an area known as the "breakwater" at Maui harbor. The area previously had 10-20 homeless people; it has now increased to 200-300 people.

He stated that a local non-profit agency has done some maintenance work, other options have been used, but each effort has been thwarted at Kahekili Terrace for various reasons. A site visit to the project was made with Executive Director Stephanie Aveiro to check the vacant units. Commitments were made to have the situation changed, but the project remains unchanged with vacant units still boarded up. He further stated that until a responsible party is assigned to manage the project, the situation will probably continue.

Ms. Aveiro agreed that it is a management problem that is compounded with a lack of manpower due to a variety of reasons. However, Public Safety Department has been able to provide manpower for the landscaping duties in order to allow the personnel to focus on the repair and maintenance of the units. She noted that there were ten units recently filled but with tenants moving out of the project or being evicted, this may lower the number of occupied units. Director Thompson asked for a confirmation of the numbers mentioned by Ms. Aveiro as a weekly vacancy report of Kahekili Terrace does not reflect the same numbers.

Ms. Aveiro further acknowledged the homeless population at the breakwater that many people believe can be solved by Kahekili Terrace. However, even if Kahekili Terrace is 100% occupied, it would still not solve the homeless problem on Maui.

Ms. Aveiro stated that a response to the letter to Councilmember Pontanilla would acknowledge the need for affordable housing in Maui and inform him of the Asset Management Subcommittee as well as possible managerial changes in the future.

Director Thompson commented that the renovation or refurbishment of a home is not difficult. He agreed with Ms. Aveiro that HCDCH is not causing the increase in the homeless population on the breakwater, however, HCDCH must be able to demonstrate to the public that it is making progress in its renovation efforts and maintain a high occupancy rate at all times.

(The Chair left the meeting at this time - 11:30 a.m.; Secretary Oliva then chaired the meeting.)

Director Smith suggested that Kahekili Terrace as well as the David Malo project, be placed on the next agenda with a proposed action plan. If the Board should decide to dispose of the projects via subcontracting the management of them, then it must first renovate it and fill the units.

KAHEKILI
TERRACE,
DAVID
MALO
PROJECTS

Deputy Attorney General Bryan Yee advised that the discussion need to be restricted to the agenda topic for the next meeting.

Director Thompson suggested that in the response to Councilmember Pontanilla, that the Executive Director inform him that there is a plan in place to refurbish the existing units including the actual number that has been done, and give an estimated date that the project would be fully occupied.

(Director Thompson left the meeting at this time - 11:35 a.m.)

Ms. Aveiro asked Project Engineer Rick Speer to give a report on the various projects that are underway for the repair and maintenance of the buildings. Mr. Speer reported that the Maui Correctional Facility is providing manpower to do the landscaping work. Staff is pursuing the possibility of having more work done on a daily basis such as painting, dry wall repair, etc.

REPAIR
AND
MAINTENANCE

Maui has five projects with a total of 171 units. Due to the limited manpower, existing staff has been unable to meet the maintenance demands of the projects. Kahekili Terrace has 82 units with 26 vacant units. Ten units have been repaired and readied for occupancy during the past two months. However, the number of vacancies have increased due to evictions which explains why the number of occupied units change very slightly.

The David Malo project has 18 units, with 6 vacancies. Bids will be taken shortly to renovate the six units and one at Piilani Homes. Six units at Makani Kai Hale will also go out to bid. Director Thompson had previously referred him to a general contractor who is President of a Maui Contractors Association and has volunteered to have construction work done on the projects and provide materials at no cost to the agency.

Mr. Speer continued that PSI World organization has volunteered their services and have refurbished seven units at Kamehameha Homes and Kaahumanu Homes. They are scheduled to do more work at Mayor Wright Homes and may have the military assist them. Their goal is to refurbish 35 units within six months of volunteer work.

Mr. Speer further stated that Public Safety Department has been contacted to do landscaping and light construction work on Oahu and Hilo on a daily basis. The cost is approximately \$13,000 monthly that would pay for the gasoline expenses. All other expenses would be paid by them.

Other organizations that have volunteered to help with the repair and maintenance of the projects are:

- Building Industry Association (BIA) has an apprentice program that has volunteered to use the vacant units as part of their training in doing repair work;
- Kamehameha Schools has expressed interest in helping with projects that are located in highly populated areas by those of Hawaiian ancestry; and
- City & County has a Youth Build program that give young adults between the ages of 18-20 years old to learn light construction work.

Ms. Aveiro stated that the employees do the finishing work to ensure that the units are ready for occupancy. She also stated that before the volunteers do the work, staff is offered to work additional hours as well.

Director Jung asked if the work is performed according to building codes to which Mr. Speer stated that there is an inspector who oversees the work.

Director Smith asked about the update on the cleanup work on Inaole Stream. Chief Planner Janice Takahashi stated that a meeting was held with Rep. Tommy Waters and his staff. The Representative then introduced a bill that would transfer the property from HCDCH to DLNR. His office will also coordinate community meetings that would educate the homeowners about stream cleaning.

INAOLE
STREAM

Project Manager Stan Fujimoto commented that there are two properties involved. One owned by HCDCH is the remnant property and the balance of the lots that are owned by the homeowners that are adjacent to the stream that DLNR will attempt to have them take responsibility of the maintenance.

Ms. Aveiro stated that Director Thompson had e-mailed his concerns and recommendations to her earlier about improving the OED reporting. and will be addressing his concerns at the next Board meeting.

Acting Development Section Chief Tom Otake reported on the following 2005 accomplishments:

DEVELOP-
MENT
SECTION
STATUS
REPORT

- Requests for Proposals (RFP) for 2005 totaled 945 projected affordable housing units to be built;
- 2,383 projected affordable units for land parcels transferred to DHHL;
- 217 projected affordable units currently in process;
- 19 sales of vacant parcels and buy back units with revenue \$1.335 million with \$2.2 million as the first year payment received from DHHL pursuant to the Transfer Agreement; and
- Castle & Cooke Homes Hawaii, Inc. has been issued a Notice to Proceed and a Right-of-Entry for development of the parcels in the Villages of Kapolei.

Chief Planner Janice Takahashi reported on the Strategic Plan Report which is a year-end status report of the agency. All goals for 2005 were accomplished. Staff would like to have discussion with the Board as to the current year's objectives or the final six months of the organization before the split occurs.

PLANNING
AND
EVALUATION
OFFICE
STRATEGIC
PLAN
REPORT

Deputy Attorney General Bryan Yee advised that due to the lack of quorum, the level of discussion should be limited to reports and not any decision making or guidance that would require a quorum to be present. He advised that the discussion be done at the next meeting when a quorum is present. Mr. Yee further advised that it is acceptable to have an individual Board member communicate to a staff member with his/her question for the next meeting.

Ms. Aveiro made a correction to her report that Section 8 will be accepting new applications in July 2006 as it will need to have the PHA plan approved first.

There being no further business to discuss, the Acting Chair declared the meeting adjourned at 12:00 noon.

ADJOURN-
MENT

LILLIAN KOLLER
Secretary

Approved: